

## Message Text

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ACTION ARA-10

INFO OCT-01 EA-07 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 EB-07

COME-00 TRSE-00 GSA-01 INT-05 STR-04 AID-05 IGA-02

OPIC-03 XMB-02 EUR-12 AGR-05 AGRE-00 DHA-02 IO-13

/120 W

----- 011382

R 152100Z SEP 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7845

AMEMBASSY TOKYO

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASULIA 7997

E.O. 11652: N/A

TAGS: EGEN, PFOR, TGEN, BR

SUBJ: PRESIDENT GEISEL'S VISIT TO JAPAN, SEPT. 15-20.

REF: (A) BRASILIA 7888, (B) BRASILIA 7967, (C) STATE 208548,  
(D) TOKYO 12798, (E) 75 TOKYO 2573, (F) BRASILIA A-157,  
(G) 75 RIO DE JANEIRO A-05

1. SUMMARY. THE HIGH POINTS OF PRESIDENT GEISEL'S SIX-DAY  
STATE VISIT TO JAPAN PROBABLY WILL BE AGREEMENTS ON HUGE ALUMINUM  
AND STEEL PROJECTS. AGREEMENTS ARE ALSO EXPECTED ON NON-NUCLEAR  
ENERGY RESEARCH, ENVIRONMENTAL CONTROL, JAPANESE AGRICULTURAL  
AID, REFORESTATION, AND ON JAPANESE PURCHASES OF BRAZILIAN  
IRON ORE AND CELLULOSE. DISCUSSIONS WITH THE  
GOJ ON WORLD ISSUES SEEM NOT TO BE A HIGH PRIORITY FOR  
THE BRAZILIANS. THE BRAZILIANS ARE LIKELY TO PRESS THE  
JAPANESE TO CLOSE THE BILATERAL TRADE DEFICIT. THE  
SERIES OF GEISEL'S RECENT VISITS TO MAJOR DC'S IS PAYING OFF  
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HANDSOMELY IN ECONOMIC BENEFITS. END SUMMARY.

2. PRESIDENT GEISEL DEPARTED BRASILIA ON SUNDAY FOR HIS SEPT. 15 -20 STATE VISIT TO JAPAN. GEISEL IS RESPONDING TO AN INVITATION EXTENDED IN 1974 BY EX-PM TANAKA DURING HIS VISIT TO BRAZIL. ACCOMPANYING GEISEL ARE HIS WIFE AND DAUGHTER, THE MINISTERS OF FOREIGN RELATIONS (ANTONIO AZEREDO DA SILVEIRA), PLANNING (JOAO PAULO DOS REIS VELLOSO), INDUSTRY AND COMMERCE (SEVERO FAGUNDES GOMES), AND MINES AND ENERGY (SHIGEAKI UEKI, WHO VISITED JAPAN IN APRIL, REF E), AND THE CHIEF OF THE PRESIDENT'S MILITARY HOUSEHOLD (GENERAL HUGO ABREU; HE HOLDS MINISTERIAL RANK). THE AGRICULTURE MINISTER WAS TO HAVE GONE, BUT, AGATT HAS LEARNED, SNAGS DEVELOPED IN THE NEGOTIATIONS ON THE "CERRADO" DEVELOPMENT PROGRAM. PAULINELLI PLANS TO MAKE A SEPARATE TRIP TO TOKYO WHEN THE NEGOTIATIONS ARE CONCLUDED.

3. THE SECRETARY-GENERAL OF THE MINISTRY OF INDUSTRY AND COMMERCE (BELOTTI) WAS IN TOKYO FOR OVER A WEEK CHAIRING LAST MINUTE NEGOTIATIONS ON A NUMBER OF ECONOMIC AND TECHNOLOGICAL ISSUES. FONMIN OFFICIALS TELL US THE MOST IMPORTANT RESULTS OF THE VISIT WILL COME IN THESE TWO AREAS, ALTHOUGH THE POLITICAL MOMENTUM CREATED BY THE VISIT WILL BE OF GREAT VALUE FOR FUTURE BRAZILIAN-JAPANESE COOPERATION. THE VISIT'S HIGHLIGHT IS EXPECTED TO BE THE SIGNING OF THE LONG-IN-DOUBT AGREEMENT TO BUILD THE HUGE ALBRAS ALUMINUM PROJECT IN THE AMAZON (REF A). THERE WILL ALSO BE A FORMAL ANNOUNCEMENT OF THE CONSTRUCTION OF A 2.2 BILLION DOLLAR (FIRST PHASE) BRAZILIAN/KAWASAKI/FINSIDER (ITALY) STEEL COMPLEX AT THE MODERN PORT OF TUBURAO (REF G, PP 9-10). OTHER AGREEMENTS AND CONTRACTS INVOLVE:AN EXPORT CONTRACTFOR HALF OF THE OUTPUT OF THE BRAZILIAN/JAPANESE CENIBRA CELLULOSE PLANT, INCREASED IRON ORE EXPORTS (JAPAN IS BRAZIL'S LARGEST CUSTOMER), NON-NUCLEAR ENERGY RESEARCH, ENVIRONMENTAL CONTROL, PORT EXPANSION, JAPANESE PASSENGER TRAINS FOR THE RIO DE JANEIRO-SAO PAULO RUN, AND EXPANSION OF THE USIMINAS STEEL PROGRAM.

4. ADDITIONAL COMMERCIAL ARRANGEMENTS COULD EMERGE FROM THE DISCUSSIONS THAT HAVE BEEN TAKING PLACE IN TOKYO BETWEEN A 19-MAN BRAZILIAN BUSINESS GROUP AND A JAPANESE GROUP. NEWS REPORTS HERE HAVE NOTED JAPANESE COMPLAINTS IN THESE LIMITED OFFICIAL USE

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DISCUSSIONS AGAINST BRAZIL'S IMPORT RESTRICTIONS, LIMITATIONS ON PROFIT REMITTANCES, AND REQUIREMENTS FOR A HIGH DEGREE OF LOCAL CONTENT IN INVESTMENT PROJECTS. A BRAZILIAN PRESS INTERVIEW WITH TASHIO DOKO, PRESIDENT OF THE KEIDANREN, ELICITED, HOWEVER, ONLY POSITIVE COMMENTS ABOUT BRAZIL, INCLUDING A REFERENCE TO BRAZIL AS A " GREAT POWER OF THE FUTURE."

5. DISCUSSIONS WITH THE GOJ ON WORLD ISSUES SEEM NOT TO BE A HIGH PRIORITY FOR THE BRAZILIANS. GOB OFFICIALS CONTACTED CLAIM TO BELIEVE THAT THE JAPANESE HAVE FEW IDEAS, LACK LEADERSHIP QUALITIES, ARE CONSERVATIVE, AND CONDUCT A "NARROW-MINDED" FOREIGN POLICY. THESE OFFICIALS SEE IN JAPAN ANOTHER "LOW PROFILE" COUNTRY LIKE BRAZIL. SINCE THE GOB SEES JAPAN'S OIL AND MIDDLE EAST PROBLEMS AS SIMILAR TO ITS OWN, THIS SUBJECT WILL RECEIVE SOME ATTENTION. THE MAJOR ISSUE ON WHICH DIVERGENCIES EXIST IS KOREA: JAPAN IS EXPECTED TO PRESS FOR GREATER BRAZILIAN SUPPORT AGAINST THE HOSTILE RESOLUTION AT THE 31ST UNGA, AND THE BRAZILIANS ARE UNLIKELY TO BE MUCH MORE HELPFUL.

6. ONE NEWS REPORT HAS POINTED OUT THAT A HIGH LEVEL UNDERSTANDING ESTABLISHED DURING TANAKA'S VISIT MEANS BRAZIL "WILL RECEIVE PRIORITY TREATMENT (OF THE KIND) THAT THE JAPANESE GIVE TO THEIR FOUR PRIVILEGED PARTNERS: THE U.S., CANADA, AUSTRALIA, AND SOUTH KOREA." ANOTHER NEWS REPORT, HOWEVER, HAS CLAIMED THE GOB IS UNHAPPY WITH THE GOJ'S PERFORMANCE TO DATE.

7. ECONOMIC IMPORTANCE OF JAPAN TO BRAZIL. OF BRAZIL'S THREE BIGGEST ECONOMIC PARTNERS -- THE U.S., THE EC, AND JAPAN -- JAPAN CLEARLY IS THE MOST DYNAMIC ALTHOUGH STILL THE SMALLEST. IN TRADE, THE U.S. IN 1975 TOOK 2 TIMES MORE BRAZILIAN EXPORTS THAN DID JAPAN, AND THE EC, THREE-AND-ONE-HALF TIMES MORE. BUT EXPORTS TO JAPAN ARE GROWING FAST: IN THE 1967-75 PERIOD, EXPORTS TO JAPAN INCREASED ELEVEN-FOLD; TO THE EC, THREE-AND-ONE-HALF FOLD; AND TO THE U.S., ONLY ONE-AND-ONE-HALF FOLD. IN 1975, BRAZILIAN EXPORTS TO JAPAN, 672 MILLION DOLLARS (7.8 PERCENT OF BRAZIL'S TOTAL EXPORTS), FELL FAR SHORT OF IMPORTS, 1.109 BILLION DOLLARS, LEAVING A TRADE DEFICIT OF 437 MILLION DOLLARS. THE LIMITED OFFICIAL USE

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DEFICITS WITH JAPAN, LIKE THOSE WITH THE U.S., HAVE BECOME A MAJOR CONCERN FOR THE BRAZILIANS, WHO ARE GIVEN TO CONSIDERABLE RHETORIC ABOUT THE MACROECONOMICALLY UNMEANINGFUL CONCEPT OF BILATERAL TRADE DEFICITS. (THE U.S. DEFICITS ARE MUCH LARGER, HOWEVER: IN 1975, THE DEFICIT WITH THE U.S. WAS OVER THREE TIMES THE DEFICIT WITH JAPAN.)

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INFO OCT-01 EA-07 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00

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R 152100Z SEP 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7846

AMEMBASSY TOKYO

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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8. THE STATISTICAL PICTURE FOR FOREIGN INVESTMENT PARALLELS THE TRADE PICTURE. IN A RECENT 18 MONTH PERIOD, DEC. 31, 1973-JUNE 30, 1975, ACCORDING TO CENTRAL BANK STATISTICS (WHICH EXCLUDE FINANCING AND LOANS), INVESTMENT FROM JAPAN INCREASED BY 132 PERCENT, TO 739 MILLION CURRENT U.S. DOLLARS; BY COMPARISON, EC INVESTMENT INCREASED BY 47 PERCENT, AND U.S. INVESTMENT BY 26 PERCENT. THE JAPANESE SHARE OF FOREIGN INVESTMENT IN BRAZIL INCREASED FROM 7 PERCENT TO 11 PERCENT, WHILE THE EC SHARE REMAINED ABOUT CONSTANT (30 PERCENT) AND THE U.S. SHARE DECLINED (TO 32 PERCENT).

9. COMMENT. EXPLOITING ITS DC OPTIONS -- US, EUROPE, AND JAPAN -- IS PAYING OFF HANDSOMELY FOR BRAZIL. GEISEL'S STATE VISITS TO FRANCE AND THE UK LAST SPRING, THE VISITS HERE BY SECRETARIES KISSINGER AND SIMON, AND NOW THE VISITS TO JAPAN, ALL SEEM TO HAVE BROUGHT SUBSTANTIAL TANGIBLE BENEFITS TO BRAZIL AND IMPROVED SIGNIFICANTLY ITS OVERALL LIMITED OFFICIAL USE

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RELATIONS WITH THESE COUNTRIES. FROM FRANCE, THE U.K., AND JAPAN, GEISEL WILL HAVE BROUGHT HOME 6 - 7 BILLION DOLLARS IN PROMISED INVESTMENTS AND LOANS, WHICH BRAZIL

DESPERATELY NEEDS TO FINANCE THE LARGEST CURRENT ACCOUNT DEFICIT IN THE DEVELOPING WORLD. THE GOB SEEMS TO APPRECIATE THAT NOT ALL OF THESE BENEFITS WOULD HAVE MATERIALIZED IN THE ABSENCE OF THE VISITS. IT IS INTERESTING THAT ALL THIS HAS BEEN TAKING PLACE AT A TIME WHEN BRAZIL SHOWS SIGNS OF TONING DOWN DOCTRINAIRE THIRD WORLD RHETORIC, THE TANGIBLE BENEFITS OF WHICH ARE INCREASINGLY QUESTIONED HERE.

10. AS FOR JAPAN, IT HAS MORE TO OFFER, GOB OFFICIALS TELL US, THAN FRANCE AND THE U.K.:  
(A) JAPAN IS LESS PROTECTIONIST, AND THUS A BIGGER POTENTIAL MARKET FOR BRAZIL'S AGRICULTURAL EXPORTS;  
(B) BECAUSE OF THE GOJ'S GREAT INFLUENCE OVER THE JAPANESE PRIVATE SECTOR, THE GOB HOPES TO USE FOREIGN POLICY LEVERAGE TO OBTAIN JAPANESE TECHNOLOGY (COMMENT: PRESUMABLY AT MORE FAVORABLE TERMS THAN OTHERWISE),  
AND TO PRESS JAPAN TO CLOSE THE BILATERAL TRADE DEFICIT;  
(C) JAPAN'S HUNGER FOR RAW MATERIALS IS GREATER THAN EUROPE'S;  
(D) THE LARGE JAPANESE COLONY IN BRAZIL (SECOND ONLY TO THE U.S.) GIVES BRAZIL A SPECIAL STATUS WITH JAPAN; MORE-OVER, MANY OF THE JAPANESE IN BRAZIL VOTE IN JAPANESE ELECTIONS;  
(E) JAPAN IS WILLING TO MAKE INVESTMENTS BECAUSE IT HAS LARGE FOREIGN-EXCHANGE RESERVES, AND INVESTMENTS ABROAD WOULD LESSEN PRESSURES ON JAPAN FOR REVALUATION OF THE YEN.

OF COURSE, JAPAN IS OF LESS INTEREST TO BRAZIL ON SOME COUNTS -- IT IS FAR AWAY (THUS TRANSPORT COSTS ARE HIGH), AND BRAZILIAN INTEREST IN CERTAIN POLITICAL ISSUES IMPORTANT TO JAPAN (E.G., NORTHEAST ASIAN SECURITY) SEEMS TO US TO BE MARGINAL AND PERHAPS DECLINING.

11. IMPROVING BRAZIL'S IMAGE, TARNISHED BY HUMAN RIGHTS VIOLATIONS, WAS A MAJOR PURPOSE OF GEISEL'S VISITS TO FRANCE AND THE U.K. THIS SEEMS TO BE A LESS IMPORTANT LIMITED OFFICIAL USE

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OBJECTIVE IN JAPAN, IN PART BECAUSE THE BRAZILIANS APPEAR TO PERCEIVE THAT VIOLATIONS HAVE AROUSED LESS CONCERN IN JAPAN.

12. DOMESTICALLY, GEISEL'S VISIT COULD HAVE A MODESTLY POSITIVE EFFECT ON THE ELECTORAL FORTUNES OF THE HARD-PRESSED GOVERNMENT POLITICAL PARTY (ARENA) IN NOVEMBER'S MUNICIPAL ELECTIONS. THE EFFECT MAY BE SLIGHT SINCE THE PRESIDENT'S PRESTIGE AS A WORLD-TRAVELING STATESMAN IS DIFFICULT TO TRANSFER TO HIS PARTY. THE POLITICAL CREDIT

ACCOMPANYING THE ANNOUNCEMENTS OF NEW INVESTMENTS AND LOANS  
MIGHT BE PARTLY OFFSET BY THEIR IMPLICATIONS FOR BRAZIL'S  
HIGH FOREIGN INDEBTEDNESS, WHICH IS AROUSING INCREASING  
POPULAR CONCERN.  
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## Message Attributes

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**Copy:** SINGLE  
**Draft Date:** 15 SEP 1976  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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